

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BEAVERTON, OREGON

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$29,048,699	\$24,920,029	\$53,968,728
Property taxes receivable	702,859		702,859
Assessment liens receivable	79,231		79,231
Accounts and other receivables, net	726,205	2,535,276	3,261,481
Accrued interest receivable	123,182	65,101	188,283
Internal balances	477,955	(477,955)	
Grants receivable	283,932		283,932
Due from other governments	427,513	167,517	595,030
Inventory	47,474	87,415	134,889
Other assets	363,975		363,975
Investments in joint ventures and intangible assets		19,605,633	19,605,633
Capital assets			
Land and construction in progress	9,788,479	3,022,237	12,810,716
Buildings and improvements (net of depreciation)	28,212,605	164,218	28,376,823
Machinery and equipment (net of depreciation)	9,479,522	913,362	10,392,884
Infrastructure (net of depreciation)	90,364,183	122,421,059	212,785,242
TOTAL ASSETS	<u>170,125,814</u>	<u>173,423,892</u>	<u>343,549,706</u>
Liabilities			
Accounts payable	1,721,013	206,080	1,927,093
Accrued salaries and payroll taxes	3,537,101	389,022	3,926,123
Accrued interest payable	60,917	125,800	186,717
Other accrued liabilities	928,187	206,008	1,134,195
Due to other governments	216,941	2,847,412	3,064,353
Unearned grant revenue	3,269		3,269
Deposits and retainages payable	1,569,103	365,831	1,934,934
Long-term liabilities (net of discount):			
Due within one year, contracts, loan, lease payable	173,195	25,493	198,688
Due within one year, bonds payable	895,000	2,129,182	3,024,182
Due in more than one year, contracts, loan, lease payable	7,646,501	701,727	8,348,228
Due in more than one year, bonds payable	16,305,000	16,000,259	32,305,259
TOTAL LIABILITIES	<u>33,056,227</u>	<u>22,996,814</u>	<u>56,053,041</u>
Net Assets			
Invested in capital assets (net of debt)	112,825,093	120,605,216	233,430,309
Restricted for:			
Construction	4,473,681	13,117,691	17,591,372
Debt service	200,467	118,223	318,690
Highways and streets	2,948,278		2,948,278
Education	1,130,817		1,130,817
Unrestricted	15,491,251	16,585,948	32,077,199
TOTAL NET ASSETS	<u><u>\$137,069,587</u></u>	<u><u>\$150,427,078</u></u>	<u><u>\$287,496,665</u></u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$18,522,073	\$4,898,275	\$578,609		(\$13,045,189)		(\$13,045,189)
Public safety	16,563,618	3,970,535	491,571		(12,101,512)		(12,101,512)
Highways and streets	7,453,137	245,650		\$6,250,583	(956,904)		(956,904)
Education	4,941,891	146,613	2,726,490		(2,068,788)		(2,068,788)
Cultural and recreation	183,724	4,280	14,144		(165,300)		(165,300)
Interest on long-term debt	898,661				(898,661)		(898,661)
Total governmental activities	48,563,104	9,265,353	3,810,814	6,250,583	(29,236,354)		(29,236,354)
Business-type activities:							
Water	6,990,598	8,182,721		3,437,845		\$4,629,968	4,629,968
Sewer	2,955,975	2,610,334		1,722,734		1,377,093	1,377,093
Storm drain	2,560,675	3,119,088		3,562,527		4,120,940	4,120,940
Total business-type activities	12,507,248	13,912,143		8,723,106		10,128,001	10,128,001
Total government	\$61,070,352	\$23,177,496	\$3,810,814	\$14,973,689	(29,236,354)	10,128,001	(19,108,353)
General revenues:							
Taxes							
Property taxes, levied for general purpose					20,138,766		20,138,766
Property taxes, levied for debt service					2,297,405		2,297,405
Motor fuel taxes					4,177,931		4,177,931
State shared taxes					1,415,111		1,415,111
Hotel/motel taxes					361,066		361,066
Franchise revenues					5,218,886		5,218,886
Interest and investment earnings					618,801	576,194	1,194,995
Other revenues					339,577		339,577
Total general revenues					34,567,543	576,194	35,143,737
Change in net assets					5,331,189	10,704,195	16,035,384
Net assets--beginning					131,738,398	139,722,883	271,461,281
Net assets--ending					\$137,069,587	\$150,427,078	\$287,496,665

The notes to the basic financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

MAJOR FUNDS

General Fund

This fund accounts for the financial operations of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, licenses and permits, franchise fees, state shared revenues and charges for administrative services provided to other funds. Primary expenditures are for police protection, court, engineering and planning services, and general administration such as human resources, finance, city attorney and mayor's office.

Street Fund

Accounts for receipts and expenditures of revenues from county gasoline tax and state gasoline taxes apportioned from the State of Oregon, and expenditures as specified under Article IX, Section 3 of the Constitution of the State of Oregon.

Library Fund

Accounts for receipts and expenditures of revenues from a county library special levy, property taxes levied and donations received for operation of the City library. This fund consists of two budgetary funds (Library Fund and Library Donation Fund).

Capital Projects Fund

Accounts for the construction of streets and traffic enhancement projects. Grants and transfers from other funds and other governmental agencies comprise its major sources of funds.

OTHER GOVERNMENTAL FUNDS

State Revenue Sharing Fund, Building Operating Fund, Community Development Block Grant Fund, Street Lighting Fund, Traffic Impact Fee Fund, Beaverton Arts Commission Fund, General Obligation Debt Service Fund, Assessment Debt Service Fund, Assessment Projects Fund.

CITY OF BEAVERTON, OREGON
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2005

	General Fund	Street Fund	Library Fund	Capital Projects Fund	Other Governmental Funds	Total
Assets:						
Cash and investments	\$12,069,238	\$2,979,270	\$1,500,701	\$1,158,438	\$7,812,670	\$25,520,317
Property taxes receivable	559,215		41,175		102,469	702,859
Assessment liens receivable					79,231	79,231
Accounts and other receivables, net	678,234	41,774			1,311	721,319
Accrued interest receivable	35,140	7,057	4,527	3,242	65,422	115,388
Interfund loan receivable	30,906					30,906
Due from other governments	59,306	368,207				427,513
Grants receivable	228,020				55,912	283,932
TOTAL ASSETS	\$13,660,059	\$3,396,308	\$1,546,403	\$1,161,680	\$8,117,015	\$27,881,465
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$882,398	\$154,032	\$93,747	\$5,326	\$221,937	\$1,357,440
Accrued salaries and payroll taxes	2,367,483	157,584	282,855		208,243	3,016,165
Other accrued liabilities	422,853					422,853
Interfund loan payable					30,906	30,906
Due to other governments					216,941	216,941
Deferred revenues:						
Property taxes	440,265		32,457		81,039	553,761
Assessment liens, interest, and miscellaneous	35,140	7,057	4,527	3,242	140,725	190,691
Grants	3,269					3,269
Deposits and retainages payable	754,000	129,357	2,000	445,099	238,647	1,569,103
TOTAL LIABILITIES	4,905,408	448,030	415,586	453,667	1,138,438	7,361,129
Fund balances:						
Reserved for:						
Construction				708,013	3,765,668	4,473,681
Interfund loan receivable	30,906					30,906
Debt service					200,467	200,467
Unreserved, reported in:						
General Fund	8,723,745					8,723,745
Special Revenue Funds		2,948,278	1,130,817		3,012,442	7,091,537
TOTAL FUND BALANCES	8,754,651	2,948,278	1,130,817	708,013	6,978,577	20,520,336
TOTAL LIABILITIES AND FUND BALANCES	\$13,660,059	\$3,396,308	\$1,546,403	\$1,161,680	\$8,117,015	\$27,881,465

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances - governmental funds	\$20,520,336
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Capital assets used in governmental activities are not financial resources, therefore, are not reported in the governmental funds' balance sheet

Acquisition cost	\$151,812,148	
Accumulated depreciation	<u>(14,859,342)</u>	
		136,952,806

Deferred property tax revenues are collected in subsequent years and are not available to pay for current-period expenditures and, therefore, are reported as deferred revenue in the governmental funds' balance sheet.

553,761

Deferred assessment liens and investment income revenues are collected in subsequent periods and are not available for current year's operation. However, on a full accrual basis of accounting, they are reported as revenues.

190,691

Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.

4,217,165

Long-term liabilities, including bonds/loan payable, accrued interest and payroll liabilities are not due in the current period and, therefore, are not reported in the funds' balance sheet.

Bonds and loan payable	(25,019,696)	
Accrued interest payable	(60,917)	
Accrued payroll liability	<u>(284,559)</u>	
		<u>(25,365,172)</u>

Total net assets - governmental activities	<u><u>\$137,069,587</u></u>
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The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2005

	General Fund	Street Fund	Library Fund	Capital Projects Fund	Other Governmental Funds	Total
Revenues:						
Taxes	\$17,896,807		\$1,308,884		\$3,332,636	\$22,538,327
Special assessments					9,650	9,650
Intergovernmental	1,603,201	\$4,177,931	2,686,831		519,429	8,987,392
Federal grants	477,217				384,916	862,133
Fees, licenses, and permits	1,476,609				3,826,895	5,303,504
Franchise fees	4,965,987	252,900				5,218,887
Fines and forfeits	3,591,854		142,334			3,734,188
Interest on investments and assessments	260,127	52,184	30,033	\$28,842	174,321	545,507
Charges for services	552,606					552,606
Contributions, donations, and other			39,659		10,694	50,353
Miscellaneous revenues and cash-in-lieu	525,803	266,786	20,511	60,000	227,188	1,100,288
TOTAL REVENUES	31,350,211	4,749,801	4,228,252	88,842	8,485,729	48,902,835
Expenditures:						
Current:						
General government	15,593,853				3,282,141	18,875,994
Public safety	16,489,643					16,489,643
Highways and streets		4,172,379		641,861	1,150,892	5,965,132
Education			4,419,629			4,419,629
Cultural					122,780	122,780
Debt service:						
Principal					1,490,000	1,490,000
Interest					900,400	900,400
TOTAL EXPENDITURES	32,083,496	4,172,379	4,419,629	641,861	6,946,213	48,263,578
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(733,285)	577,422	(191,377)	(553,019)	1,539,516	639,257
Other financing sources (uses):						
Transfers in	733,250			339,034	100,185	1,172,469
Transfers out	(15,808)	(232,410)		(300,000)	(624,251)	(1,172,469)
Sale of capital assets	340,562	3,512				344,074
TOTAL OTHER FINANCING SOURCES (USES)	1,058,004	(228,898)		39,034	(524,066)	344,074
NET CHANGE IN FUND BALANCES	324,719	348,524	(191,377)	(513,985)	1,015,450	983,331
FUND BALANCES, Beginning of year	8,429,932	2,599,754	1,322,194	1,221,998	5,963,127	19,537,005
FUND BALANCES - End of year	\$8,754,651	\$2,948,278	\$1,130,817	\$708,013	\$6,978,577	\$20,520,336

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$983,331

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Expenditures for capital assets	\$1,860,326	
Less current year depreciation	<u>(2,907,558)</u>	
		(1,047,232)

The net effect of transactions involving capital assets, i.e., gain/loss on sales, donations. These transactions are not reported in the governmental funds. 4,396,182

Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received. (94,565)

Repayments of long-term debt and long-term loan proceeds are reported as expenditures and revenues in governmental funds. However, it is reported as a decrease/increase in liabilities in the Statement of Net Assets. 1,512,465

Some expenses, such as accrued interest expense on long-term debt or accrued payroll liabilities, are reported in the Statement of Activities. However they do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (8,983)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet services, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. (410,009)

Change in net assets of governmental activities \$5,331,189

The notes to the basic financial statements are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

MAJOR BUSINESS-TYPE FUNDS

These funds are used to finance and account for the acquisition, operation and maintenance of water, sewer, and storm drain facilities which are supported by user charges. Included are:

Water Fund - accounts for the City's water utility operations, debt service and construction. This fund consists of three budgetary funds (Water Operating Fund, Water Debt Service Fund, and Water Construction Fund) that are combined as one Enterprise Fund to be in accordance with accounting principles generally accepted in the United States of America.

Sewer Fund - accounts for the City's sewer utility operations.

Storm Drain Fund - accounts for storm drainage connection fees and a user fee charge to property owners to finance maintenance of the City drainage system.

GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for services provided by the City of Beaverton for other departments within the City. Internal Service Funds include: Reprographics, Garage, Information Systems, Mapping and Technical Services, Operations Administration, and Insurance.

CITY OF BEAVERTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2005

	Business -Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Storm Drain Fund	Totals	
Assets					
Current assets:					
Cash and investments	\$10,818,383	\$8,672,346	\$5,429,300	\$24,920,029	\$3,528,382
Accounts receivable, net	1,110,826	1,126,766	252,378	2,489,970	4,886
Other receivables	45,306			45,306	
Accrued interest receivable	28,464	22,131	14,506	65,101	7,794
Due from other governments	167,517			167,517	
Inventory of materials and supplies	58,097	1,490	27,828	87,415	47,474
Total current assets	12,228,593	9,822,733	5,724,012	27,775,338	3,588,536
Other assets					363,975
Investments in joint ventures	19,256,485			19,256,485	
Intangible assets - water rights, net	349,148			349,148	
Capital assets, net	56,391,867	35,603,980	34,525,029	126,520,876	891,983
TOTAL ASSETS	88,226,093	45,426,713	40,249,041	173,901,847	4,844,494
Liabilities					
Current liabilities:					
Accounts payable	92,442	6,613	107,025	206,080	363,573
Accrued salaries and payroll taxes	173,683	97,699	117,640	389,022	236,377
Accrued interest payable	125,800			125,800	
Other accrued liabilities	206,008			206,008	505,334
Due to other governments	585,581	2,161,439	100,392	2,847,412	
Deposits and retainage payable	171,496	76,084	118,251	365,831	
Contract payable	25,493			25,493	
Bonds payable (net of discount)	2,129,182			2,129,182	
Total current liabilities	3,509,685	2,341,835	443,308	6,294,828	1,105,284
Long-term liabilities:					
Contract payable (net of discount)	701,727			701,727	
Bonds payable (net of discount)	16,000,259			16,000,259	
Total long-term liabilities	16,701,986			16,701,986	
TOTAL LIABILITIES	20,211,671	2,341,835	443,308	22,996,814	1,105,284
Net Assets					
Invested in capital assets (net of debt)	50,476,207	35,603,980	34,525,029	120,605,216	891,983
Restricted for construction	4,658,583	3,682,654	4,776,454	13,117,691	
Restricted for debt service	118,223			118,223	
Unrestricted	12,761,409	3,798,244	504,250	17,063,903	2,847,227
TOTAL NET ASSETS	\$68,014,422	\$43,084,878	\$39,805,733	150,905,033	\$3,739,210
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(477,955)	
Net assets of business-type activities				<u>\$150,427,078</u>	

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Storm Drain Fund	Totals	
Operating revenues:					
Charges for services	\$7,843,680	\$2,451,394	\$2,894,045	\$13,189,119	\$10,009,364
Installation fees	58,447			58,447	
Erosion control fees			111,913	111,913	
Miscellaneous revenues	64,793	149,850	107,330	321,973	285,043
TOTAL OPERATING REVENUES	7,966,920	2,601,244	3,113,288	13,681,452	10,294,407
Operating expenses:					
Personal services	1,245,337	801,881	1,063,635	3,110,853	2,294,273
Water purchases	976,859			976,859	
Administration charges from General Fund	315,862	182,975	81,101	579,938	
Franchise fee payment	386,141	638,874	169,729	1,194,744	
Insurance claims					5,637,792
Contract charges					424,949
Supplies, repairs, and services	1,337,209	550,769	581,824	2,469,802	1,970,791
Depreciation and amortization	1,240,780	793,346	666,879	2,701,005	440,993
TOTAL OPERATING EXPENSES	5,502,188	2,967,845	2,563,168	11,033,201	10,768,798
OPERATING INCOME (LOSS)	2,464,732	(366,601)	550,120	2,648,251	(474,391)
Nonoperating revenues (expenses):					
Intergovernmental revenue	208,287			208,287	
Systems development charge revenues	1,821,858	588,655	765,266	3,175,779	
Interest on investments	280,444	178,870	116,880	576,194	60,726
Gain on sale of capital assets	7,514	9,090	5,800	22,404	18,877
Interest expense	(946,008)			(946,008)	
Loss on equity in joint ventures	(543,261)			(543,261)	
TOTAL NONOPERATING REVENUES (EXPENSES)	828,834	776,615	887,946	2,493,395	79,603
INCOME (LOSS) BEFORE CONTRIBUTIONS	3,293,566	410,014	1,438,066	5,141,646	(394,788)
Capital contributions	1,615,987	1,134,079	2,797,261	5,547,327	
CHANGE IN NET ASSETS	4,909,553	1,544,093	4,235,327	10,688,973	(394,788)
TOTAL NET ASSETS - BEGINNING	63,104,869	41,540,785	35,570,406	140,216,060	4,133,998
TOTAL NET ASSETS - ENDING	\$68,014,422	\$43,084,878	\$39,805,733	\$150,905,033	\$3,739,210
Change in net assets, above				\$10,688,973	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				15,222	
Change in net assets of business-type activities				<u>\$10,704,195</u>	

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Storm Drain Fund	Totals	
Cash flows from operating activities:					
Cash receipts from customers	\$8,085,128	\$2,687,415	\$3,026,730	\$13,799,273	\$285,558
Cash receipts from quasi-external operating transactions with other funds					10,009,364
Cash payments to suppliers	(1,955,561)	(558,279)	(535,696)	(3,049,536)	(8,167,939)
Cash payments to employees	(1,226,371)	(777,913)	(1,061,788)	(3,066,072)	(2,359,524)
Cash payments for quasi-external operating transactions with other funds	<u>(702,003)</u>	<u>(821,849)</u>	<u>(250,830)</u>	<u>(1,774,682)</u>	
 NET CASH FROM OPERATING ACTIVITIES	 <u>4,201,193</u>	 <u>529,374</u>	 <u>1,178,416</u>	 <u>5,908,983</u>	 <u>(232,541)</u>
 Cash flows from capital and related financing activities:					
Interest expense	(795,974)			(795,974)	
Acquisition of capital assets (including joint venture)	(4,497,025)	(660,920)	(1,827,393)	(6,985,338)	(200,339)
Intergovernmental revenue	241,034			241,034	
Proceeds from sale of capital assets	7,514	9,090	5,800	22,404	18,877
Principal paid on bonds and contracts	(2,204,454)			(2,204,454)	
Systems development charge revenues	<u>1,821,858</u>	<u>588,655</u>	<u>765,266</u>	<u>3,175,779</u>	
 NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	 (5,427,047)	 (63,175)	 (1,056,327)	 (6,546,549)	 (181,462)
 Cash flows from investing activities:					
Interest received	<u>273,584</u>	<u>173,438</u>	<u>113,217</u>	<u>560,239</u>	<u>59,726</u>
 NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	 (952,270)	 639,637	 235,306	 (77,327)	 (354,277)
 CASH AND INVESTMENTS - Beginning of year	 <u>11,770,653</u>	 <u>8,032,709</u>	 <u>5,193,994</u>	 <u>24,997,356</u>	 <u>3,882,659</u>
 CASH AND INVESTMENTS - End of year	 <u><u>\$10,818,383</u></u>	 <u><u>\$8,672,346</u></u>	 <u><u>\$5,429,300</u></u>	 <u><u>\$24,920,029</u></u>	 <u><u>\$3,528,382</u></u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS, Continued
For the Fiscal Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Storm Drain Fund	Totals	
Reconciliation of operating income (loss) to net cash from operating activities:					
Operating income (loss)	<u>\$2,464,732</u>	<u>(\$366,601)</u>	<u>\$550,120</u>	<u>\$2,648,251</u>	<u>(\$474,391)</u>
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	1,240,780	793,346	666,879	2,701,005	440,993
Change in assets and liabilities:					
Accounts receivable	81,352	(6,500)	(107,484)	(32,632)	515
Other receivables and other assets	2,751			2,751	(299,575)
Inventory of materials and supplies	1,382	(258)	(2,803)	(1,679)	17,305
Accounts payable	35,114	(7,889)	51,868	79,093	150,356
Accrued salaries and payroll taxes	18,966	23,969	1,847	44,782	(65,251)
Other accrued liabilities	46,458			46,458	(2,493)
Due to other governments	<u>309,658</u>	<u>93,307</u>	<u>17,989</u>	<u>420,954</u>	
TOTAL ADJUSTMENTS	<u>1,736,461</u>	<u>895,975</u>	<u>628,296</u>	<u>3,260,732</u>	<u>241,850</u>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$4,201,193</u></u>	<u><u>\$529,374</u></u>	<u><u>\$1,178,416</u></u>	<u><u>\$5,908,983</u></u>	<u><u>(\$232,541)</u></u>
Schedule of non-cash transactions:					
Reduction in investments in joint ventures due to loss on equity in earnings of joint ventures	<u><u>(\$543,261)</u></u>	<u><u>\$ ----</u></u>	<u><u>\$ ----</u></u>	<u><u>(\$543,261)</u></u>	<u><u>\$ ----</u></u>
Contributions of infrastructure by developers	<u><u>\$1,615,987</u></u>	<u><u>\$1,134,079</u></u>	<u><u>\$2,797,261</u></u>	<u><u>\$5,547,327</u></u>	<u><u>\$ ----</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Beaverton (City), Oregon have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Beaverton, Oregon, was incorporated in 1893 and operates under the provisions of its own charter and applicable State law, with a Mayor-Council form of government. The Mayor is the Chief Executive of the City and chairs City Council meetings. The Mayor does not vote, except in the event of a tie. The Mayor may veto an ordinance or other legislative enactment; the Council may override the veto by a four-fifths vote. The City Council (the "Council") is comprised of five members. The Mayor serves a four-year term. The five Council members are part-time elected officials who exercise the legislative powers of the City and determine matters of policy. The City Finance Director, other officers, and department directors are appointed by the Mayor.

The City of Beaverton provides a full range of municipal services to the community which includes police protection, traffic control and improvement, street maintenance and improvement, water, sewer and storm drain service, planning and zoning regulation, building inspection and regulation, and community library service. Fire protection services are provided by Tualatin Valley Fire and Rescue and park services are provided by Tualatin Hills Park and Recreation District.

The accounts of the City are organized on the basis of funds. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating government functions and activities. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances (net assets), revenues, and expenditures (expenses).

B. Government-wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Changes in Net Assets) report information on all activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) fees, fines, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

C. Measurement Focus and Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe *which* transactions are recorded with the various financial statements. Basis of accounting refers to *when* transactions are recorded, and is also an integral part of the measurement focus consideration.

The government-wide financial statements and the proprietary funds financial statements are presented on the full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. These funds use the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible and reimbursable expenditures are incurred.

The City's government-wide and proprietary fund accounting and financial reporting practices are based on all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB guidance issued subsequent to November 30, 1989 to business-type activities and to enterprise funds.

Interfund activity consists of transfers, services provided and/or used, reimbursements, advances, and loans. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

Amounts reported as program revenues in the Statement of Activities include: 1) fines, fees, and charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's ongoing operations. The operating revenues of the City's enterprise funds are water, sewer, and storm drain charges to customers for sales and services. Significant operating expenses include personnel, materials and services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The governmental fund financial statements are accounted for using a current financial resources measurement focus, whereby only current assets and current liabilities generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases and decreases in those net current assets. These funds use the modified accrual basis of accounting whereby revenues are recognized when they become measurable and available. "Measurable"

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a related fund liability is incurred, except for interfund transactions which are recorded on the accrual basis and interest on general long-term debt which is recorded as due. Significant governmental funds revenues which were subject to accrual at June 30, 2005 under the modified accrual basis of accounting were as follows: property taxes, franchise fees, assessment liens principal and interest installments, state, county, and local shared revenues which are collected within 60 days subsequent to year end.

In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long term portions of debt and compensated absences are included. Also in the government-wide financial statements, certain indirect costs have been included as part of the program expenses for the various functional activities.

Other receipts become measurable and available when cash is received and recognized as revenue at that time, except for revenues for grants and shared revenues which are recorded when the qualifying expenditures have been incurred and all other grant requirements have been met.

A deferred revenue liability arises in the governmental funds’ balance sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable deferred revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue is recognized as soon as it is earned regardless of its availability. Thus, the liability created on the governmental fund balance sheet for unavailable deferred revenue is eliminated. When grant monies are received prior to the incurrence of qualifying expenses, they are recorded as unearned revenues in the government-wide Statement of Net Assets.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements’ governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

The City reports the following major governmental funds:

- **General Fund**
This is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, state and county shared revenues and fines and forfeitures. Primary expenditures are for general government, planning and development, engineering services, and public safety.
- **Street Fund (Special Revenue Fund)**
Accounts for receipts and expenditures of revenues from county gasoline tax and state gasoline taxes apportioned from the State of Oregon, and expenditures as specified under Article IX, Section 3 of the Constitution of the State of Oregon.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

- **Library Fund (Special Revenue Fund)**
Accounts for receipts and expenditures of revenues from a county library special levy, property taxes levied and donations received for operation of the City library. This fund consists of two budgetary funds (Library Fund and Library Donation Fund).
- **Capital Projects Fund (Capital Projects Fund)**
Accounts for the construction of major collector, arterial, and residential street infrastructure facilities. Grants, transfers from other funds, and intergovernmental revenues comprise its major sources of funds.

The City reports the following major proprietary funds:

- **Water Fund** (this fund consists of three budgetary funds, Water Operating Fund, Water Debt Service Fund, and Water Construction Fund that are combined as one Enterprise Fund to be in accordance with accounting principles generally accepted in the United States of America.)
- **Sewer Fund**
- **Storm Drain Fund**

These funds account for the operations, maintenance, debt service and capital construction projects for water, sewer and stormwater which are funded mostly through monthly user fees, system development fees, other extra capacity revenues and bond sale proceeds.

Additionally, the City reports non-major funds within the governmental fund type as follows:

- **Special Revenue Funds (6 nonmajor special revenue funds)**
Account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.
- **Debt Service Funds (2 nonmajor debt service funds)**
Account for the accumulation of resources and payment of principal and interest on general obligation, local improvement (Bancroft), and other long-term debt of governmental funds.
- **Capital Projects Fund (1 nonmajor Assessment Projects Fund)**
Accounts for the construction of the street, water and sewer projects to be financed by assessments to benefited property owners.

Additionally, the City reports the following fund type:

- **Internal Service Funds**
Internal service funds account for those activities and services furnished internally to other organizational units within the City on a cost reimbursement basis. Charges are made to the various departments to support these activities. The City's internal service funds include Reprographics, Garage, Information Systems, Mapping and Technical Services, Operations Administration, and Insurance. The aggregate of all internal service funds are reflected in the fund financial statements.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

D. Assets, Liabilities, and Net Assets

1. Cash and Investments

The City maintains cash and investments in a common pool reported at fair value. The fair value of investments is determined annually and is based on current market prices. Interest earned on the pooled cash and investments is allocated monthly based on each fund's average cash balance as a proportion of the City's total pooled cash and investments.

2. Receivables

Interfund transactions that are representative of lending/borrowing arrangements outstanding at fiscal year end are referred to as "interfund receivable/payable". The residual balances outstanding between the General Fund and Other Governmental Funds is expected to be repaid with the proceeds from the property owners who received benefits from the local improvement district capital improvement project.

In the government-wide financial statement, all interfund receivables and payables are consolidated within the governmental funds and any residual balances between the governmental and business-type activities are reported as "internal balances".

Property taxes receivable of the governmental fund types, which have been collected within 60 days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes receivable are offset by deferred property tax revenues and, accordingly, have not been recorded as revenue in the fund financial statements. Property taxes become a lien against the property as of July 1 each year, and are payable in three installments on November 15, February 15, and May 15. Property taxes are levied on November 15. Taxes unpaid and outstanding as of May 16 are considered delinquent.

Assessment liens receivable are recorded as Other Governmental Fund receivables at the time property owners are assessed for property improvements. Assessment lien installments, which have been collected within 60 days subsequent to year end, are considered measurable and available and are recognized as revenues. All other assessment liens receivable are offset by deferred assessment liens revenues and accordingly, have not been recorded as revenue in the fund financial statements. Assessment interest receivable is recorded as earned; the assessment interest revenue is recognized when it becomes measurable and available.

Receivables of the proprietary fund types are recorded as revenue when earned, including services earned but not billed. The enterprise fund receivables relate to billings for residential and commercial customers that utilize the City's water, sewer and storm drain services.

Receivables in governmental and enterprise funds are stated net of an allowance for uncollectibles.

3. Inventory of Materials and Supplies

Inventory in the proprietary fund types, determined by physical count, are recorded at cost (first-in,

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

first-out basis) and are charged to expense as used (consumption method).

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g., streets and roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has elected to include its costs of rights of way acquired subsequent to July 1, 1980 as part of infrastructure. The City has also elected not to report infrastructure acquired prior to July 1, 1980. The threshold for capitalized equipment and improvements is \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Replacements which improve or extend the lives of property are capitalized.

Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. Estimated useful lives used in computing depreciation are:

<u>Assets</u>	<u>Years</u>
Equipment	5-10
Heating and Cooling System	40
Buildings and improvements	50
Infrastructure, utilities	50-65
Infrastructure, street	40-75

Interest costs in the enterprise funds are capitalized as part of the costs of capital assets during the period of construction based on the weighted average borrowing costs incurred. No interest was capitalized during the fiscal year ended June 30, 2005.

5. Investments in Joint Ventures

Investments in joint ventures with other governmental units are reported at cost plus or minus the City's share of operating income or loss (equity method) (Note III. E).

6. Intangible Assets

Intangible assets consist of water rights which are amortized over 40 years on the straight-line method.

7. Compensated Absences

Earned but unpaid vacation (for police union employees), personal time off (for all other employees), and compensatory time is recorded as an expense in the proprietary fund types and government-wide statements. The entire amount of accrued salaries and payroll taxes is recognized as expenditures of the funds because the City expects the liability to be liquidated with expendable, available financial resources. Accumulated vacation, personal time off and compensatory time amounted to an increase in fiscal year 2005 of \$199,516 - totaling \$1,921,151 for all funds at June 30, 2005. No liability is

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

reported for unpaid accumulated sick leave (for police union employees) or medical leave (for all other employees); sick or medical leave is recognized in all funds when leave is taken.

8. *Long-Term Debt*

In the government-wide financial statements and also in the proprietary fund type statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities when material. Bond premiums and discounts, as well as issuance costs, are amortized using the straight-line method, which approximates the effective interest method, over the related debt repayment period. Unamortized bond discount costs are offset against bonds payable. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. *Net Assets*

Assets whose use is restricted for construction, debt service or by other agreement are segregated on the Government-wide Statement of Net Assets and the Proprietary Fund Statement of Net Assets.

10. *Use of Estimates*

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City budgets all funds which are subject to budget requirements of state law. The City Council legally adopts the budget by resolution before July 1. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of control (total personal services, materials and services, capital outlay, and other expenditures) is established by resolution for all funds. The General Fund's level of control is slightly different, in that, the total personal services, materials and services, capital outlay and other expenditures are by department.

The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. A supplemental budget that differs by 10 percent or more of any one of the individual funds contained in the original budget for that fiscal year requires hearings before the public, publications in newspapers, and approval by the City

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. The City adopted two supplemental budgets and nine transfer resolutions during the year ended June 30, 2005. Encumbrances that have not been expended at year-end lapse and subsequent actual expenditures are then charged against ensuing year's appropriations. The total encumbrance commitments that lapsed at June 30, 2005 was \$2,493,775 for the City of Beaverton.

III. DETAILED NOTES ON ALL FUNDS

A. Pooled Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Governmental activities and business-type activities portions of this pool are displayed on the government-wide Statement of Net Assets as "Cash and Investments". Oregon Revised Statutes (ORS) authorize the City to invest in obligations of the U.S. Treasury, U.S. government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Treasury Local Government Investment Pool, various interest bearing bonds of Oregon municipalities, certificates of deposit, and certain commercial paper among others. In addition, the City's investments are governed by a written investment policy, which is approved by the Oregon Short-Term Fund Board and adopted by the Beaverton City Council. The policy specifies the City's investment objectives, required diversification, certain limitations, security safekeeping, and reporting requirements. The City's investment policy does not permit investment in bank repurchase agreements.

Cash and investments are comprised of the following at June 30, 2005:

Cash on hand	\$122,195
Cash with fiscal agent	82,662
Deposits with financial institutions	1,742,544
Investments	52,021,327
	<hr/>
	\$53,968,728
	<hr/>

The City participates in an external investment pool (State of Oregon Treasury Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the ORS and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establishes diversification percentages and specifies the types and maturities of investments. That portion of the external investment pool which belongs to local government participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840.

The City's position in the Pool at June 30, 2005 is stated at cost which approximates fair value.

Deposits with Financial Institutions

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance is

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

\$2,921,051 (book balance \$1,742,544). Of these deposits, \$218,058 was covered by federal depository insurance. For the \$2,702,993 deposits in excess of federal depository insurance, the ORS require the depository institution to maintain on deposit with a collateral pool manager securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. The City was in compliance with the ORS requirement. Under GASB 3, the City was uninsured and uncollateralized by \$603,431.

Interest Rate Risk

As a means of managing its exposure to fair value loss arising from increasing interest rates, the City's investment policy limits investment maturities to 18 months.

Investment maturity limitation and actual maturities for the City's investments are as follows:

	<u>Maturities</u>	<u>Percentage of Portfolio</u>	<u>Fair Value</u>
State of Oregon Treasury Local Government Investment Pool	Avg 6-18 months	57%	\$29,574,370
U.S. Agency	Under 1 year	16%	8,388,368
U.S. Agency	1 year-18 months	27%	14,058,589
Total Investments		<u>100%</u>	<u>\$52,021,327</u>

Credit Risk

The State Investment Pool is not rated and the investments in the U.S. government are considered to have no credit risk.

Concentration of Credit Risk

The City places no limits on the amounts that the City may invest in any one issuer or institution except for commercial paper. More than 5% of the City's investments are in Federal National Mortgage Association and Federal Home Loan Agencies. These investments are 12% and 31% respectively, of the City's total investments.

B. Receivables

Receivables as of year end for the government's individual major and nonmajor funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

	Accounts & Other	Property Taxes	Assessments & Liens	Accrued Interest	Grants	Due from other Governments	Total Receivables
Governmental activities:							
General	\$678,234	\$559,215		\$35,140	\$228,020	\$59,306	\$1,559,915
Street	41,774			7,057		368,207	417,038
Library		41,175		4,527			45,702
Capital Projects				3,242			3,242
Other governmental	1,311	102,469	\$79,231	65,422	55,912		304,345
Internal service	4,886			7,794			12,680
Total - governmental activities	<u>\$726,205</u>	<u>\$702,859</u>	<u>\$79,231</u>	<u>\$123,182</u>	<u>\$283,932</u>	<u>\$427,513</u>	<u>\$2,342,922</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$69,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$69,231</u>
Business-type activities:							
Water	\$1,156,132			\$28,464		\$167,517	\$1,352,113
Sewer	1,126,766			22,131			1,148,897
Storm Drain	252,378			14,506			266,884
Total - business-type activities	<u>\$2,535,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$65,101</u>	<u>\$ -</u>	<u>\$167,517</u>	<u>\$2,767,894</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received or awarded, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Deferred</u>	<u>Unearned</u>
Delinquent property taxes receivable:		
General Fund	\$440,265	
Library	32,457	
Other Governmental	81,039	
Receivables to be collected in future years	71,673	
Special assessments not yet due (debt service fund)	119,018	
Grant received or awarded prior to meeting all eligibility requirements		\$3,269
Total deferred/unearned revenue for governmental funds	<u>\$744,452</u>	<u>\$3,269</u>

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2005 was as follows:

Description	Beginning Balance 7/1/04	Increases	Decreases	Ending Balance 6/30/05
Non-depreciable Capital Assets:				
Land	\$9,214,619	\$806,102	(\$334,000)	\$9,686,721
Construction in progress		101,758		101,758
Total capital assets not being depreciated	<u>9,214,619</u>	<u>907,860</u>	<u>(334,000)</u>	<u>9,788,479</u>
Depreciable Capital Assets:				
Buildings and improvements	33,759,617			33,759,617
Machinery and equipment	7,804,628	7,950,925	(228,116)	15,527,437
Infrastructure - street	91,784,020	5,010,039		96,794,059
Total depreciable capital assets	<u>133,348,265</u>	<u>12,960,964</u>	<u>(228,116)</u>	<u>146,081,113</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,812,744)	(734,268)		(5,547,012)
Machinery and equipment	(5,506,760)	(769,271)	228,116	(6,047,915)
Infrastructure - street	<u>(4,584,864)</u>	<u>(1,845,012)</u>		<u>(6,429,876)</u>
Total accumulated depreciation	<u>(14,904,368)</u>	<u>(3,348,551)</u>	<u>228,116</u>	<u>(18,024,803)</u>
Total capital assets being depreciated, net	<u>118,443,897</u>	<u>9,612,413</u>		<u>128,056,310</u>
Governmental activities capital assets, net	<u>\$127,658,516</u>	<u>\$10,520,273</u>	<u>(\$334,000)</u>	<u>\$137,844,789</u>

Depreciation expense for governmental activities is charged to functions as follows:

General government	\$362,682
Public safety	101,320
Highways and streets	1,907,534
Education	476,526
Cultural and recreation	59,496
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>440,993</u>
Total depreciation for governmental activities	<u>\$3,348,551</u>

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

Capital asset activity for business-type activities for the year ended June 30, 2005 was as follows:

Description	Beginning Balance 7/1/04	Increases	Decreases	Ending Balance 6/30/05
Non-depreciable Capital Assets:				
Land	\$1,097,183	\$334,000		\$1,431,183
Construction in progress	5,368,254	5,166,851	(\$8,944,051)	1,591,054
Total capital assets not being depreciated	6,465,437	5,500,851	(8,944,051)	3,022,237
Depreciable Capital Assets:				
Buildings and improvements	538,221			538,221
Machinery and equipment	2,466,632	275,735	(103,721)	2,638,646
Infrastructure - utilities	127,309,611	14,491,378		141,800,989
Total depreciable capital assets	130,314,464	14,767,113	(103,721)	144,977,856
Less accumulated depreciation for:				
Buildings and improvements	(365,256)	(8,747)		(374,003)
Machinery and equipment	(1,637,705)	(191,300)	103,721	(1,725,284)
Infrastructure - utilities	(16,934,617)	(2,445,313)		(19,379,930)
Total accumulated depreciation	(18,937,578)	(2,645,360)	103,721	(21,479,217)
Total capital assets being depreciated, net	111,376,886	12,121,753		123,498,639
Business-type activities capital assets, net	\$117,842,323	\$17,622,604	\$ (8,944,051)	\$126,520,876

Depreciation expense for business-type activities is charged to functions as follows:

Water	\$1,185,135
Sewer	793,346
Storm water	666,879
Total depreciation for business-type activities	<u>\$2,645,360</u>

D. Interfund Balances and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Interfund Loan Receivable/Payable:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
General Fund	Other Governmental Fund	\$30,906

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

The loan receivable in the General Fund in the amount of \$30,906 is from the Assessment Debt Service Fund, which represents the long-term LID construction loan, that is to be repaid as the assessed property owners make payments in future years.

Interfund transfers

Transfers between funds provide support for various City programs in accordance with budgetary authorizations and resources for payment of debt services. General Fund and Street Fund transfers to Capital Projects Fund are for bike path and street improvements. Nonmajor governmental funds transfers to General Fund are one-time transfer of the Site Development program's equity from the Building Operating Fund and also for the mass-transit pass program from a special revenue fund; to Capital Projects Fund are for various street improvement projects; to other nonmajor governmental funds represent commitment to Beaverton Arts Commission. Interfund transfers for the fiscal year ended June 30, 2005, consisted of the following:

Transfers Out	Transfers In			Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
Governmental Funds:				
General Fund		\$15,808		\$15,808
Street Fund		232,410		232,410
Capital Projects Fund	\$300,000			300,000
Nonmajor Governmental Funds	433,250	90,816	\$100,185	624,251
Total Transfers in/out	<u>\$733,250</u>	<u>\$339,034</u>	<u>\$100,185</u>	<u>\$1,172,469</u>

E. Investments in Joint Ventures

	Joint Water Commission Joint Venture	Barney Reservoir Joint Venture	Total
Investment in joint ventures at July 1, 2004	\$10,703,911	\$8,111,458	\$18,815,369
Investment	984,377		984,377
Loss for the year	<u>(367,116)</u>	<u>(176,145)</u>	<u>(543,261)</u>
Investment in joint ventures at June 30, 2005	<u>\$11,321,172</u>	<u>\$7,935,313</u>	<u>\$19,256,485</u>

Joint Water Commission

In April 1979, the City purchased an interest in the Joint Water Commission ("JWC") to provide joint operations for the supply, pumping, treatment, and transmission of potable water. This agreement was established between the City of Hillsboro, the City of Forest Grove, and the City of Beaverton. Effective July 1994, the JWC expanded its membership to include Tualatin Valley Water District ("TVWD"), and in March 2004, the City of Tigard also joined the JWC. The JWC is governed by three members from each entity. The City of Beaverton currently has a 25% ownership of JWC facilities.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

Barney Reservoir Joint Ownership Commission

The Barney Reservoir Joint Ownership Commission ("BRJOC") was formed to own, operate, and expand the J.W. Barney Reservoir (a dam on the Trask River in the coastal mountains). The BRJOC is governed by one member from each entity. The City of Beaverton currently has a 21.5% ownership (4,300 acre feet) of the Barney Reservoir.

The operating costs of each joint venture are shared by the participating agencies and the City reports its share of income or loss of the Commissions using the equity method. Financial statements for both commissions may be obtained from the City of Hillsboro, Finance Department at 123 West Main Street, Hillsboro, Oregon 97123.

F. Lease Obligations

Capital Lease

In June 2005, the City has entered into a twenty (20)-year lease agreement as lessee for financing the acquisition of Beaverton Central Heating and Cooling Services and the Domestic Hot Water Supply System ("Combined Plants"). The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The asset with a recorded value of \$7,077,977 was acquired through a capital lease and it is reported as machinery and equipment in the governmental activities. The asset is depreciated over the useful life of forty (40) years.

The future minimum lease obligation and the net present value of the lease payments as of June 30, 2005 were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2006	\$324,309
2007	334,038
2008	344,059
2009	354,381
2010	365,012
2011-2015	1,996,038
2016-2020	2,313,954
2021-2025	<u>2,638,310</u>
Total minimum lease payments	8,670,101
Less: amount representing interest	<u>(2,210,382)</u>
Present value of minimum lease payments	<u><u>\$6,459,719</u></u>

Operating Lease

The City leases office building space for the Combined Plants in the Beaverton Round commercial building under the same lease agreement expiring in 2025. The term of the original agreement may be renewed for an additional 20-year term. The cost for the lease of 4,500 square feet was \$5,513 for the year ended June 30, 2005. The future minimum lease payments for this lease are as follows:

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

<u>Year Ending June 30</u>	<u>Amount</u>
2006	\$76,691
2007	78,992
2008	81,362
2009	83,803
2010	86,317
2011-2015	472,015
2016-2020	547,195
2021-2025	623,894
Total	<u><u>\$2,050,269</u></u>

G. Long-term debt

General Obligation Bonds

The City issues general obligation (GO) bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Principal and interest payments are paid solely from property tax revenues. The original amount of general obligation bonds issued in 1999 was \$21,895,000, and the following is the City's outstanding GO bond:

<u>Governmental Activities</u>	<u>Interest Rates</u>	<u>Balance</u>
General obligation bonds serviced by general property taxes:		
Library Facility - Series 1999	4.25% to 5%	<u><u>\$17,200,000</u></u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$895,000	\$830,025
2007	935,000	791,988
2008	975,000	750,848
2009	1,020,000	706,973
2010	1,070,000	660,053
2011-2015	6,160,000	2,480,350
2016-2019	6,145,000	787,750
TOTALS	<u><u>\$17,200,000</u></u>	<u><u>\$7,007,985</u></u>

Long-term Loan Payable

In March 2004, the City received \$752,000 through a Section 108 loan guarantee program of the Housing and Community Development Act of 1974. The loan proceeds were used to purchase a child care center facility leased by Community Action Head Start to secure a permanent child care resource for Beaverton's low income families. The principal and interest payments of the Section 108 loan will be made with lease receipts from Head Start. Currently, the City is paying a variable interest rate of 1.3% to 2.2%. The permanent interest payment terms have not been finalized.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$24,000	Variable
2007	25,000	"
2008	27,000	"
2009	28,000	"
2010	30,000	"
2011-2015	173,000	"
2016-2020	223,000	"
2021-2023	222,000	"
TOTALS	<u><u>\$752,000</u></u>	

Revenue Bonds

The City issues revenue bonds to finance major construction projects for business-type activities. On October 1, 2004, the City issued \$10,280,000 Water Revenue Bonds, Series 2004 B to currently refund the remaining portion of the City's outstanding Water Revenue Bonds, Series 1994 that were not previously refunded by the Water Revenue Bonds, Series 2004 A, and to advance refund the callable portion of the City's outstanding Water Revenue Bonds, Series 1997, and to pay costs of issuance and bond insurance. The current and advance refunding was undertaken to reduce total debt service payments by \$650,000 over the next 13 years and resulted in an economic gain of \$565,000.

The \$10,280,000 Water Revenue Bonds, Series 2004 B, will be paid solely from the Net Revenues of the System, as defined in the Master Ordinance. The City purchased a bond insurance policy which will guarantee payment of the principal and interest of these bonds when due. In addition, the City purchased a Reserve Credit Facility which will cover the debt service reserve requirements for these bonds.

Certain Water Revenue Bonds are callable at various prices at specified times prior to maturity. The 2004 B bonds defeased all of the Water Revenue Bonds, Series 1994 and the callable portion of the Water Revenue Bonds, Series 1997, by placing \$10,390,114 in an irrevocable trust to provide for all future debt service on the defeased bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. Outstanding revenue bonds as of June 30, 2005 include the remaining 1997, 2004 A and 2004 B water bonds for a total of \$18,129,441 (net of \$940,559 unamortized discount).

In FY 2004-05, the City defeased certain water revenue bonds by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2005, \$6,185,000 of bonds outstanding are considered defeased.

The City covenants in the Master Water Bond Ordinance to charge rates and fees in connection with the operation of the water system which, when combined with other gross revenues, are adequate to generate net revenues in each fiscal year at least equal to 1.20 times annual debt service due in that fiscal year for senior lien debt and outstanding bonds. If the net revenues fail to meet this level, the City is required to promptly increase its rates and fees or reduce expenses to a level so that net revenues are projected to meet the required level. As of June 30, 2005 the City was in compliance with these requirements.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

<u>Business-type Activities</u>	<u>Interest Rates</u>	<u>Ending Balance</u>
Enterprise bonds serviced by specific fund revenues:		
Water Revenue Bonds - 1997 Series	4.25% to 5.25%	\$885,000
Water Revenue Bonds - 2004 A Series	2.00% to 4.00%	8,670,000
Water Revenue Bonds - 2004 B Series	2.00% to 5.00%	9,515,000
Total Revenue Bonds		<u><u>\$19,070,000</u></u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$2,265,000	\$679,941
2007	1,400,000	597,541
2008	1,445,000	551,166
2009	1,485,000	510,528
2010	1,535,000	467,159
2011-2015	8,900,000	1,403,676
2016-2017	2,040,000	111,120
	<u>19,070,000</u>	<u>4,321,131</u>
Unamortized discount	(940,559)	
TOTALS	<u><u>\$18,129,441</u></u>	<u><u>\$4,321,131</u></u>

Contracts Payable

The City has two contracts payable with the U.S. Department of the Interior, Bureau of Reclamation for water rights at Scoggins Dam. The first contract is for 2,500 acre feet of water rights and the second contract is for 1,500 acre feet of water rights. Both contracts are due and payable in annual installments and bear interest at 3.5%. Because the imputed interest rate of 11% is greater than the 3.5% stated interest rate, there is an unamortized discount amount being amortized against the annual interest expense. The ending balance of both contracts at June 30, 2005 totals \$727,220 (net of \$404,609 unamortized discount).

<u>Business-type Activities</u>	<u>Interest Rates</u>	<u>Balance</u>
U.S. Department of Interior, Bureau of Reclamation - contract payable Scoggins Dam	3.5%	\$1,131,829

Debt service requirements to maturity on contracts payable are as follows:

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$25,493	\$39,616
2007	26,385	38,724
2008	27,309	37,801
2009	28,265	36,845
2010	29,254	35,856
2011-2015	162,364	163,184
2016-2020	192,837	132,710
2021-2025	229,030	96,517
2026-2030	195,418	55,317
2031-2036	215,474	25,792
	<u>1,131,829</u>	<u>662,362</u>
Unamortized discount	(404,609)	
TOTALS	<u><u>\$727,220</u></u>	<u><u>\$662,362</u></u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

<u>Bonds and Obligations Payable</u>	<u>Beginning Balance 7/1/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance 6/30/2005</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
General obligation bonds	\$18,690,000		(\$1,490,000)	\$17,200,000	\$895,000
Loan payable, Sec. 108	752,000			752,000	24,000
Loan payable, State Energy		\$607,977		607,977	
Lease payable		6,470,000	(10,281)	6,459,719	149,195
<u>Governmental activities long term liabilities</u>	<u>\$19,442,000</u>	<u>\$7,077,977</u>	<u>(\$1,500,281)</u>	<u>\$25,019,696</u>	<u>\$1,068,195</u>
<u>Business-type Activities:</u>					
Bonds and obligations payable:					
Revenue bonds	\$20,110,433	\$10,280,000	(\$12,260,992)	\$18,129,441	\$2,129,182
Contracts payable	739,831		(12,611)	727,220	25,493
<u>Business-type activities long term liabilities</u>	<u>\$20,850,264</u>	<u>\$10,280,000</u>	<u>(\$12,273,603)</u>	<u>\$18,856,661</u>	<u>\$2,154,675</u>

IV. OTHER INFORMATION

A. Pension Plan - State of Oregon Public Employees Retirement System and Oregon Public Service Retirement Plan

1. Plan Description

The City contributes to the Oregon Public Employees Retirement System (PERS) and to the Oregon Public Service Retirement Plan (OPSRP). PERS is an agent multiple-employer defined benefit

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

public employee retirement system. OPSRP is a hybrid retirement plan with two components: the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan) and the Individual Account Program (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan). A defined benefit plan is benefit-based and uses predictable criteria such as a pension determined by salary multiplied by length of service multiplied by a factor. A defined contribution plan has no guarantee. OPSRP is administered by PERS. PERS acts as a common investment and administrative agent for political subdivisions in the State of Oregon.

The 2003 Oregon Legislature established OPSRP. Public employees hired on or after August 29, 2003 become part of OPSRP, unless membership was previously established in PERS. The 1995 Oregon Legislature established a different level of benefits for employees who began their six-month waiting period on or after January 1, 1996. This level is called Tier Two.

For the year ended June 30, 2005, the City's total payroll for all employees and the City's total covered payroll amounted to approximately \$25,300,000. Covered payroll refers to all compensation paid by the City to active employees covered by PERS and OPSRP on which contributions to the pension plans are based.

The State of Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard Oregon 97281-3700 or by calling 1-503-598-7377.

Benefits generally vest after five years of continuous service. General service employees may retire after reaching age 55; police personnel are eligible after reaching age 50. PERS Tier One and Tier Two employees with 30 years of service (25 years for police personnel at age 50) receive unreduced benefits. General service employee benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service (age 60 for Tier Two). OPSRP general service employees receive full benefits if they are 58 years of age and have 30 years of service or are age 65. OPSRP police officer personnel receive full benefits if they are 53 years of age and have 25 years of service or are age 60.

Retirement benefits are based on final average salary and length of service. PERS retirement benefits are calculated using three methods: Full Formula, Formula Plus Annuity, and Money Match. PERS will use the method that produces the highest benefit amount. OPSRP pension benefits are calculated as follows: general service members - 1.5 percent of final average salary multiplied by the number of years of retirement credit attributable to service; police – 1.8 percent of final average salary multiplied by the number of years of retirement credit attributable to service. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

2. Funding Policy

The rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed at least every two years. Contributions made by the City for the year ended June 30, 2005 on behalf of the qualifying employees represented 6% of covered payroll.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

The December 20, 2001 actuarial report recommended increasing the City's contribution rate from 7.33% to 14.21%. Similar contribution rate increases were projected for all plan participants statewide. Given the financial impacts of the increased contribution rates on the state, county, and local governments, the State Legislature enacted three bills (House Bills 2001, 2003, and 2004) that amended the PERS benefit structure and reduced the funding requirements to the PERS system. The PERS actuary has recalculated the 2001 Actuarial Valuation based upon enactment of House Bills 2001, 2003, and 2004. New contribution rates of 9.22% were distributed to all plan participants on July 3, 2003 and were effective July 1, 2003. The City's actual contribution rate and payments to PERS for the year ended June 30, 2005, was 9.22% of covered payroll. The City's contribution rates to OPSRP are 8.04% for general service employees and 11.65% for police. Total contributions to the Plans, including the 6% employee portion for the year ended June 30, 2005, were 15.22% for PERS, 14.04% for OPSRP general services and 17.65% for OPSRP police. Because of pending litigation concerning the recently passed legislation, the City elected to implement the 14.21% PERS employer contribution rate in July 2003. The \$1,166,922 difference between the 14.21% and PERS 9.22%, OPSRP 8.04%, and 11.65% rates has been recorded as budgetary expenditures in the appropriate funds.

3. Annual Pension Cost

For fiscal year 2005, the City's annual pension cost of \$3,673,932 was equal to the City's required and actual contribution. The required contribution was determined as part of the actuarial valuation at December 31, 2003, using the entry age actuarial cost method. The fair market value method is used to determine the actuarial value of the plan's assets. Significant actuarial assumptions used in the valuation include: (i) consumer price inflation of 3.0% per year, (ii) healthcare cost inflation assumed at 8.0 % in 2005, then declining by .5% per year until the rate of 5.0% is reached in 2011; (iii) a rate of return on the future investment earnings of the assets of the System are assumed to accrue at an annual rate of 8.0% compounded annually; (iv) a rate of return on the future investment earnings of the Variable Accounts are assumed to accrue at an annual rate of 8.5%, compounded annually; (v) projected annual rate of wage inflation of 4.0%, compounded annually, excluding merit or longevity increases; (vi) unfunded actuarial liability is amortized on a level percentage of projected annual payroll on a closed group fixed term basis over thirty (30) years.

Three-year Trend Information:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2003	\$3,084,948	100%	\$0
2004	3,545,460	100	0
2005	3,673,932	100	0

B. Risk Management

The City is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Significant real and personal property exposures are covered by insurance for loss from all perils, including earthquake and flood

CITY OF BEAVERTON, OREGON
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June 30, 2005

damage. General and automobile liability exposures are insured up to \$2,000,000 per occurrence, and are subject to a \$125,000 aggregate deductible. The City retains the first \$500,000 per workers' compensation claim and transfers the excess exposure through commercial insurance. Settled claims have not exceeded commercial coverage in any fiscal year.

Liabilities include an amount for claims that have been incurred but not reported (IBNR). At June 30, 2005, \$144,334 and \$361,000 of those liabilities are outstanding in the General Liability Program and in the Workers' Compensation Program, respectively. Changes in the Internal Services Funds' claims liability for the years ended June 30, 2004 and 2005 are as follows:

	Balance <u>July 1</u>	Changes in <u>Estimates</u>	Claim <u>Payments</u>	Balance <u>June 30</u>
2003-2004	\$505,334	\$227,837	(\$227,837)	\$505,334
2004-2005	505,334	584,858	(584,858)	505,334

The City fully insures its health insurance benefit obligations through three different plans. The ODS Health Plan (ODS) Point of Service (POS) plan offers eligible employees and dependents a maximum lifetime benefit of \$2,000,000. The ODS Preferred Provider Option (PPO) plan offers a \$1,000,000 lifetime benefit. The Kaiser plan has no lifetime maximum benefit. The City's self-insured dental plan provides coverage up to a maximum of \$3,000 per year for management employees and \$1,500 per year for union employees. The City is required by state law to provide unemployment benefits to eligible employees for a period not to exceed twenty-six weeks.

C. Commitments and Contingencies

Workers' compensation, general liability, auto, unemployment, medical, and dental claims covered by the City's Insurance Fund (Internal Service Fund) are reviewed, and losses are accrued based on the judgment of City management. In the opinion of City management, the ultimate disposition of these claims will not have a material adverse effect on the financial position or results of operations of the Internal Service Funds.

The City is the defendant in several legal actions currently pending. Although their outcome cannot be determined, it is the opinion of management that settlement of these matters will not have a material effect on the financial position and results of operations of the City.

The City has active construction projects as of June 30, 2005 which represent multi-year contracts. As of June 30, 2005, the amount of uncompleted contracts for various projects totals \$2,000,000 in the business type funds.

D. Transactions with Clean Water Services of Washington County

In April 1976, the City entered into a contract with the Clean Water Services of Washington County (CWS) whereby the City acts as a collection agent for CWS for sewer service charges and sewer connection charges inside the City's limits. The City, in 1990, also entered into a contract with CWS to collect storm drain charges. The City collects charges on behalf of CWS and remits all applicable collections to CWS, except for 18.57% of sewer service charges collected, 20% of sewer connection charges collected, and 75% of applicable surface water charges collected, in accordance with the agreements. During fiscal year 2005, the City retained \$4,141,210 reported as revenues (Charges for services) and \$588,655 (Systems development charge revenues) in the Business-Type activities –

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2005

Enterprise Funds on the Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds.

E. Subsequent Event

On August 16, 2005, the City of Beaverton issued \$13,575,000 General Obligation Refunding Bonds Series 2005 to advance refund the City's outstanding General Obligation Bonds, Series 1999. The refunding was undertaken to take advantage of the market conditions and resulted in a present value savings of \$510,000.